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*President* : Mr. Daniel COSÍO VILLEGAS (Mexico).

*Present* :

Representatives of the following States: Afghanistan, Bulgaria, Chile, China, Costa Rica, Finland, France, Mexico, Netherlands, New Zealand, Pakistan, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Argentina, Belgium, Brazil, Canada, Colombia, Cuba, Czechoslovakia, Greece, Hungary, India, Italy, Japan, Romania, United Arab Republic, Yugoslavia.

Observers for the following non-member States: Federal Republic of Germany, Switzerland.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Civil Aviation Organization, World Health Organization.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 5

**Economic development of under-developed countries (E/3203, E/3208, E/3212 and Corr.1 and Add.1, E/3213 and Add.1 and 2, E/3218 and Corr.1, E/3219) (*continued*) :**

- (a) Industrialization;
- (b) Land reform;
- (c) Sources of energy

1. The PRESIDENT invited the observers from Romania, Hungary and India to address the Council.

2. Mr. MALITZA (Romania) deplored the ever-widening gap between the economic positions of the under-

developed and the industrialized countries. The United Nations should use all available means to assist the process of industrialization on which economic development depended, and should concern itself actively with such problems as the dependence of many under-developed countries on one or two basic products, the disparity between the prices of those products and manufactured goods, the fluctuations in the prices of primary commodities and their adverse effect on balance-of-payments situations, and the difficulty of procuring capital equipment. The United Nations should learn from local and regional experience and from the operation of bilateral agreements designed to promote economic development through mutual economic co-operation.

3. After reviewing the substantial advances made by Romania in its process of industrialization, he pointed out that the development of the petroleum industry was one of the principal fields in which to test international co-operation for economic progress. Romania had embodied that idea in a draft resolution (A/C.2/L.394 and Add.1<sup>1</sup>) which it had sponsored jointly with Albania and Czechoslovakia at the thirteenth session of the General Assembly. It had stressed the importance of petroleum resources in a modern economy as a source of both energy and consumer goods, and had held that full study of the question would greatly assist economic development, particularly in the under-developed countries. The importance of petroleum in all sectors of economic life was clearly demonstrated in Mexico, and was borne out by the assertion of the President of Mexico that the industrial and agricultural development in his country had been based on the nationalized petroleum industry. The interest taken in the Romanian proposal showed that the problem deserved attention and action by the United Nations. However, wishing to take into consideration the "cautious" attitude of certain delegations at the thirteenth session of the General Assembly, the Romanian delegation had agreed to amend the original text of its draft resolution. According to the revised text, a preliminary analysis would be made of the report of the symposium on the development of the petroleum resources of Asia and the Far East held at New Delhi in 1958 under the auspices of the Economic Commission for Asia and the Far East (ECAFE). The report (E/3203) stressed the need for the under-developed countries of the region to exert their efforts to establish their own petroleum industries and to control the prospecting, extraction and processing of their petroleum resources.

<sup>1</sup> See *Official Records of the General Assembly, Thirteenth Session, Annexes*, agenda item 28, document A/4054 and Add.1, para 38.

It drew attention to the urgent need for geologists and other technical experts to be trained locally and for broad international co-operation in financing the petroleum industry. It further demonstrated how the industrialized countries could assist the under-developed countries in that field; indeed, the industrialized countries stood to gain by the development of hitherto unexploited petroleum resources. More symposia and seminars should be organized, on a regional basis, for the further exploration of the subject. Nor could the United Nations escape responsibility for initiating appropriate action with regard to petroleum resources within the framework of its technical assistance to the under-developed countries. For the time being, the most effective step it could take was to place the problem before a committee of experts with a view to examining specific ways of including the development of petroleum resources in the programme of work of the United Nations and the specialized agencies. He hoped the Council would adopt appropriate measures towards that end.

4. Mr. HOLLAI (Hungary) said that, in the belief that the development of industry in a socialist society was a major factor in raising the levels of living of the working masses, his country had embarked on a vast programme of industrialization immediately after the Second World War. Through nationalization of industry and centralized planning, Hungary had increased its industrial productivity tremendously; 44 per cent of all state investment between 1950 and 1956 had gone into industry, and more than 80 per cent of all industrial workers were now employed in state enterprises. More than a hundred new industrial enterprises had been built since 1950, three-quarters of them in rural areas. Hungary had been transformed from a country with thousands of small workshops to one with a well-developed large-scale industry, which in 1957 had absorbed one-quarter of the economically active population. Employment in Hungary had risen by 50 per cent in the period 1949-1956, and real income for industrial workers had increased by one-third in the same period.

5. Hungary had been greatly assisted in its development by the USSR, which was still providing it with assistance and long-term credits. It had also co-operated closely with other socialist countries, for their mutual benefit, and with countries outside the socialist camp. Under the three-year plan adopted by the Hungarian Parliament in 1958, the industrial output of the country was expected to exceed that of 1957 by 22 per cent. The progress of its industry had enabled Hungary to provide technical assistance to other countries in the first stages of industrialization.

6. His delegation considered the petroleum industry to be of vital importance to economic development and would emphasize the need for qualified experts to assist in its expansion. Hungary was prepared to offer further training to some fifteen to twenty petroleum experts from other countries, and to provide Hungarian experts, including a geophysicist, a geologist, an expert in oil-drilling, one in refining and one in processing, for work in the field. The expenses incurred by the experts it

would provide could be covered by the Hungarian contribution to the United Nations technical assistance programme.

7. Mr. T. G. MENON (India) drew attention to the similarity of the vast economic and social changes taking place in India and Mexico; he had been greatly impressed by Mexico's progress in raising levels of living and rectifying the imbalance in economic conditions.

8. India had been engaged in economic planning since 1951, when it had launched its first five-year plan and embarked upon industrialization. It had co-operated closely with ECAFE, whose Executive Secretary was to be commended for his work towards the economic rehabilitation of Asian countries.

9. India had welcomed the report of ECAFE's Working Party on Economic Development and Planning (E/CN.11/L.61). He would point out, however, that industrialization should not be defined merely as a growth of manufacturing industries; emphasis should be placed on the interrelation between the expansion of industries and the growth of power, transport and communication facilities. In both of its economic plans India had invested equally in manufacturing and mining on the one hand, and in transport and communications on the other, and high priority had been given to investment in power. Only thus could the transition be made to a more diversified economy and higher levels of living. India attached great importance to the technological knowledge provided by the highly industrialized countries, and was particularly grateful to the countries of the British Commonwealth, to the Federal Republic of Germany and to Japan for their technological assistance. Indeed, industrialization encompassed the whole process of transition to modern technology.

10. The State should play more than a marginal role in industrialization, for the private sector lacked the capital to engage in risky ventures, particularly in the establishment of heavy industry. Although India provided incentive for private investment, the Government participated actively in setting up certain vital industries. Moreover, social conditions in Asia and Africa were such that there was strong pressure to reduce differences in income rather than to allow them to widen in the interest of larger savings. Accordingly, the responsibility for increasing savings had to be borne partly by Governments and partly by such institutions as co-operatives.

11. Deficit financing was a good expedient for raising resources, provided it did not result in inflationary pressures. Up to a point it could help to draw idle resources into use, but controls were necessary, and a rise in prices should be avoided by the increased production of essential foods. In India, as in all countries engaged in rapid industrialization, capital goods had to be imported on a large scale, with the result that the country found itself in balance-of-payments difficulties. They could not be overcome simply by an inflow of capital from abroad; it was necessary to increase exports. Since, however, all the countries of Asia were trying to export the same staple commodities, export prices declined and they were unable to earn foreign exchange.

Consequently, the need to diversify their economies became more pressing.

12. As it was impossible to introduce the latest techniques in all industries at the same time, a case could be made for continuing to use less efficient methods of production in order to maintain the level of employment temporarily. Such short-term arrangements were necessary until other sectors of the economy had developed sufficiently to employ the labour displaced by technological improvements.

13. The financing of economic development was the urgent problem facing all under-developed countries. If India's experiment in economic planning should fail for want of adequate financing, that failure would have adverse effects on other countries. As the Prime Minister of India had said at the meeting of the Governors of the International Bank for Reconstruction and Development and the International Monetary Fund held at New Delhi in 1958, the human element was extremely important in Asian development programmes. While science and technology were admittedly the key to material progress, their application brought about social and psychological changes of major significance. The rest of the world could not escape imbalance unless it brought the under-developed countries up to its level, particularly through a liberalization of trade and investment policies. India's development plans might be regarded as over-ambitious, but they still did not encompass the needs of the country.

14. Mr. ZULOAGA (Venezuela) regretted to inform the Council that the prices of petroleum products had dropped sharply in recent days, with serious effects on the economy of his country. The loss of revenue to the Venezuelan Government was equivalent to twice the total capital of the International Finance Corporation. The incident was typical of the economic disasters that struck under-developed countries with economic systems based on the production of a single extractive or agricultural commodity the price of which was controlled outside those countries. Since the beginning of 1957 the disparity between the trend of prices of primary commodities and that of prices of manufactured goods had widened, with the index of primary commodity prices dropping sharply, while that of manufactured goods rose slightly. The effect of those price trends on countries forced to import consumers' goods was to diminish their power to purchase those goods on the world market. The cumulative effect of those two changes in prices in the countries that had to import manufactured goods in exchange for their shipments of raw materials and fuels was equivalent to a loss in their purchasing power equal to one-sixth of their gold and foreign exchange reserves, or to the total amount of loans received from the International Bank for Reconstruction and Development in three years.

15. Crude oil prices had dropped by as much as 5 per cent, placing Venezuela in a critical economic condition. Its fate was in the hands of the large vested interests which controlled its petroleum resources. He hoped that Venezuela's experience would stimulate the Council

to do more than adopt resolutions expressing pious wishes for the welfare of the under-developed countries.

16. Mr. ARKADEV (Union of Soviet Socialist Republics), replying to the remarks the New Zealand representative had made at the 1056th meeting, said that in the USSR and the other socialist countries the goal of industrialization was to serve the interests of the people. If the USSR had taken the same attitude towards industrialization as had New Zealand, its people would still be using kerosene lamps instead of enjoying the benefits of electrification in even the remotest parts of the Union. Industrialization had enabled the USSR to establish a vast number of schools, to produce its own machinery rather than having to import it, and to supply its people with adequate food and medical services. Similarly, industrialization had enabled it to shorten the working week of factory and farm workers while at the same time increasing productivity. Those great achievements, however, were only the beginning. In the matter of housing construction, for example, the USSR expected to build at state expense the equivalent of 15 million new apartments within the next seven years, which was as much as had been built in the whole of the forty-year period since the revolution. That new housing would be made available at a minimal rental. The level of living of the Soviet people must be appraised in terms not only of wages but also of such items as free medical services for all, low-cost housing, state social security, free primary and secondary education and the granting of scholarships to the overwhelming majority of students in higher educational establishments, the provision of free care for babies and free summer camps for older children, cultural advantages of every kind and free annual vacations for all workers. Finally, it should be noted that there was no unemployment in the USSR.

17. Some said that industrialization was valueless without freedom; yet freedom was valueless if it was accompanied by poverty, hunger and the constant threat of unemployment. No less an authority than President Frondizi of Argentina had stated in his address to the United States Congress that the millions of people in Latin America suffering from poverty and backwardness could not be called free. The one form of coexistence which the USSR Government consistently opposed was the age-old coexistence of wealth and poverty.

18. While land reform was primarily the concern of each Government, it was natural, in view of the common problems of many countries in that field, particularly the under-developed countries, that it should have been deemed a question warranting the serious attention of the United Nations. Under the colonialist policy of strengthening the control of the ruling Powers, the vast majority of the poverty-stricken inhabitants of the subject countries were landless while enormous tracts of land were owned by foreigners. That situation still prevailed in many of the under-developed countries. In Pakistan, for example, 72 per cent of the land planted in tea had belonged to foreign monopolies in 1950. Such monopolies used their concessions to exploit the natural

resources of the under-developed countries in their own interests and to strengthen their economic and political influence. An illustration was the Aramco oil concession in Saudi Arabia, which covered two-thirds of the total area of the country; other examples were the Firestone Tire and Rubber Company in Liberia and the United Fruit Company in Latin America. Sometimes foreign companies obtained land which they did not intend to exploit but which they held as a means of imposing their influence on the under-developed countries. In many cases the people had been deprived of the use of lands alienated for the construction of military bases or airfields. That situation was in striking contrast to the constructive land reform measures undertaken in such countries as India, Iraq, the United Arab Republic, Cuba and Mexico. The solution of the land problem in accordance with the interests of those who worked the land would help to increase agricultural productivity, promote a fuller utilization of the land, do away with single-crop agriculture and enable countries to satisfy their own food requirements. Some of the previous speakers had suggested that it should be left to the landowners themselves to introduce land reforms. Unfortunately, experience had shown that the results of that policy were negligible. Hence it was imperative that Governments should take the lead.

19. The discussions in the General Assembly and in the Council had made clear the importance of practical land reform measures, which were a prerequisite for technical progress in agriculture. The report on land reform (E/3208) which the Council had before it did not deal with the substance of land reform measures or give a picture of the advances made and the results achieved in recent years, but was limited to a mere enumeration of the steps taken, primarily in the way of research, by the specialized agencies. It gave no specific data on the basis of which the reader could judge whether anything was being achieved in the matter of land reform. The 1962 report should be prepared with the greatest thoroughness; from the prospectus (E/3208, part II), however, it appeared likely that the report would be no more than a general outline.

20. His delegation had said at the previous session that the study of technical improvements in agriculture was no substitute for the study of the land reform question with its important social implications. Indeed, the land reform question had been raised in the United Nations precisely because land reform was one of the major prerequisites for the general development of agricultural productivity. The prospectus should indicate the ways in which United Nations bodies could co-operate with Governments in the application of land reform measures, the guiding principle being that which the Council had set forth in its resolution 370 (XIII) at the request of the Soviet delegation, to the effect that reforms should be carried out in the interests of landless, small and medium farmers. Similarly, the 1962 report should include a section summarizing the steps taken to implement that resolution. Finally, his delegation held that, inasmuch as land reform was not solely an economic problem, but was also a socio-economic one, efficiency considerations should not be allowed to stand in the way

of a fairer distribution of land. Hence it objected to the second sentence in paragraph 55 (a) of the prospectus.

21. The development of sources of energy was closely linked to industrialization. Manufacturing, transport and agriculture were all dependent on it. Hence the rational and effective use of sources of energy was of paramount significance for the economic development of the under-developed countries. As the experience of the more highly developed countries in that sphere should be instructive, he would outline what had been accomplished in the USSR. In 1957 the capacity of the country's electric power stations had been thirty-nine times greater than in 1913. More than 300 large and medium electric power plants, including ninety hydroelectric plants, had been constructed. The USSR was second to only one country in the world in power production, yet it was only now entering upon the most important phase of its electrification programme. During the next seven years the use of electricity for industrial purposes would double. About 20,000 kilometres of railway track would be electrified and the consumption of electric power for agricultural purposes would be quadrupled. In the same period 200,000 kilometres of new transmission lines would come into use. In the interests of obtaining the maximum return on the capital invested, priority would be given to the construction of thermoelectric stations utilizing natural gas, fuel oil and cheap coal.

22. At the same time the USSR was developing other sources of energy, and it was expected that in the near future oil and gas would represent 51 per cent of fuel production as compared to the present 30 per cent. Coal production would not be neglected. The USSR had expended much effort on the development of atomic energy for peaceful purposes and was now seeking to develop new sources of energy such as solar, wind and tidal energy. While developing its own power resources it was also helping other countries to develop theirs. The report on work done (E/3212) rightly stressed that energy supply and utilization were basic to modern production and transport, and largely affected levels of living. He agreed that the number of comprehensive studies covering fuel and electricity requirements was very limited, and that systematic studies shall be made of such problems as foreign exchange expenditure on imports of fuel and on equipment for producing electric power, international trade in fuels, and the advisability of convening seminars on various aspects of energy development. The USSR would support the recommendations concerning the expansion and co-ordination of the activities of the regional economic commissions relating to sources of energy, and would urge the United Nations and its specialized agencies to intensify their activities bearing on the use of conventional and non-conventional sources of energy. An important role could be played in that connexion by the World Power Conference. It should, however, concern itself with energy problems as a whole rather than with particular aspects only.

23. The Council had before it the report of the symposium on the development of the petroleum resources of

Asia and the Far East (E/3203). Petroleum was, of course, a vital matter to all countries, including the under-developed areas. The Prime Minister of India had made that clear in a recent statement. Petroleum problems should therefore command greater attention in the United Nations than they had in the past. No studies had been undertaken until recently, when the symposium had been held under the auspices of ECAFE. The Soviet Union had welcomed that initiative and had participated in the symposium. The material gathered there might be useful for the economic development of under-developed countries. The symposium was, of course, only a first step, but it was a significant step in that it showed that the United Nations was interested in the question.

24. The subject of petroleum resources had been discussed in the Second Committee of the General Assembly at its thirteenth session, when Albania, Czechoslovakia and Romania had submitted a draft resolution on the question (A/C.2/L.394 and Add.1) and the Byelorussian delegation had submitted a draft resolution (A/C.2/L.392<sup>2</sup>) on the distribution of the profits of foreign companies. The debate in the Second Committee had indicated that some countries were opposed to the establishment of a national petroleum industry in the under-developed countries. The General Assembly had therefore been fully justified in discussing the item, even though it had felt that it could take no concrete action, for lack of data, and had referred the matter to the Council for further study. Some countries directly concerned had already taken steps to increase their share of the profits derived by foreign petroleum companies. Moreover, the countries of the Middle East had decided to hold a conference at Cairo with a view to discussing the possibility of adopting similar measures.

25. The petroleum resources of the world, currently estimated at some 900 million tons, were not exploited with the same degree of intensity all over the world. Many countries had no petroleum industry at all and had to import the petroleum they needed, at great expense. Several Latin American countries were in that position. Argentina, which required 250,000 barrels a day, produced only 100,000 and was obliged to spend \$300 million annually to import the balance. Mexico, on the other hand, had proved that an under-developed country which took over the exploitation of its petroleum resources was in a far better position than a country which depended on foreign petroleum companies.

26. The crux of the problem was that the countries of Latin America, Africa and Asia, with their vast petroleum resources, found it difficult to resolve their petroleum problems without bilateral and international aid. The Soviet Union was already providing assistance to a number of countries in the form of equipment and the services of petroleum experts. The United Nations should adopt specific recommendations which would assist the under-developed countries in their efforts to

develop their petroleum resources. The United Nations and its regional economic commissions would have to study and solve the many problems involved.

27. Mr. DUDLEY (United Kingdom) said that, whilst the Council's agenda on economic development had perhaps been too overloaded with detail, the Council had addressed itself effectively to the problems before it. However, the Soviet delegation had struck a discordant note, addressing itself to the press gallery rather than to the Council, ranging far outside the subject matter under discussion, making unwarrantable assertions about other countries, and twisting and distorting the statements of other delegations. An atmosphere of controversy had thus been artificially created. That was damaging to the good name of the Council, which would suffer if it did not address itself to the work before it with full responsibility for its successful completion.

28. Mr. FINGER (United States of America) agreed wholeheartedly with the remarks of the United Kingdom representative regretting that the Soviet delegation had repeatedly digressed from the items under consideration. He noted that the Soviet representative had seen fit to criticize, in discussing land reform, various agreements by United States companies with sovereign Governments in Saudi Arabia, Liberia and Latin America, the most recent being an agreement made by the Government of Argentina with several United States companies concerning exploration for petroleum resources. Surely President Frondizi and the Government of Argentina had been well aware of the availability of assistance in that field from the Soviet Union, Romania and other sources but he had decided that the agreement with the United States companies was best for his country. It was not for the Soviet representative to imply either that President Frondizi used bad judgement or that he did not have the best interest of his country at heart.

29. Mr. SHANAHAN (New Zealand) wished to correct a misinterpretation of the statement which, on behalf of the New Zealand delegation, he had made during the general debate. He had not said, as the representative of the Soviet Union had suggested, that industrialization was unnecessary, but had said that a balanced approach to economic development did not necessarily lie exclusively in industrialization.

30. Contrary to what had been stated by the representative of the Soviet Union, it was possible, as had been proved by the experience of countries such as New Zealand, and also the United Kingdom and the United States of America, for a country to develop its economy by placing full emphasis on the development of agriculture, at the same time ensuring a balanced use of all resources. By following that course New Zealand had developed her economy in which industry as well as agriculture now held an important place. The economic well-being of New Zealand was evidenced by the following statistics. Housing: 1 dwelling unit for every 3.7 persons; meat consumption: 230 lb per person per annum after exporting 96 per cent of the lamb production and 60 per cent of the beef and veal production; milk: 330 pints per capita per annum; telephones: 1 for every

<sup>2</sup> See *Official Records of the General Assembly, Thirteenth Session, Annexes*, agenda item 28, document A/4054 and Add.1, para. 35.

246 persons (in that respect New Zealand ranked fourth in the world).

31. Industrialization was but one aspect of economic development, admittedly a most important one, but it was not an end in itself; it was simply a means to the true end which was the well-being of all human beings.

32. Mr. ARKADEV (Union of Soviet Socialist Republics) said that his statements had dealt exclusively with the substance of the item under consideration, which had to be discussed thoroughly in view of its importance.

The meeting rose at 1.10 p.m.